

UNITED STATES OF AMERICA	:	CRIMINAL COMPLAINT
	:	
v.	:	
	:	
WAYNE PUFF	:	Case No.: 08-6068

SEE ATTACHMENT A

SEE ATTACHMENT B

Sandra Carroll, Special Agent
Federal Bureau of Investigation

June 10, 2008 at Newark, New Jersey
Date City and State

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ATTACHMENT A

Count 1
(Wire Fraud)

From in or about July 2003 through in or about September 12, 2005, in the District of New Jersey and elsewhere, the defendant

WAYNE PUFF

did knowingly and willfully devise and intend to devise a scheme and artifice to defraud, and for obtaining money and property by means of material false and fraudulent pretenses, representations, and promises, and for purposes of executing and attempting to execute this scheme, the defendant did transmit and cause to be transmitted by means of wire, radio, or television communication in interstate or foreign commerce, a writing, sign, signal, picture, and sound for the purpose of executing such scheme and artifice; namely, a transmission via wire, through interstate commerce, on or about September 9, 2004, as described in paragraph 31 below.

In violation of Title 18, United States Code, Section 1343, and Title 18, United States Code, Section 2.

Count 2
(Obstruction of Justice)

On or about September 12, 2005, in the District of New Jersey and elsewhere, the defendant

WAYNE PUFF

did knowingly and willfully alter, destroy, mutilate, conceal, cover up, falsify, and make a false entry in any record, document, and tangible object with the intent to impede, obstruct, and influence the investigation and proper administration of any matter within the jurisdiction of a department and agency of the United States, namely, the U.S. Securities and Exchange Commission, and in relation and contemplation of such matter and case.

In violation of Title 18, United States Code, Section 1519, and Title 18, United States Code, Section 2.

ATTACHMENT B

I, Sandra Carroll, a Special Agent of the Federal Bureau of Investigation, having conducted an investigation and having spoken with other individuals and reviewed reports and documents, have knowledge of the following facts:

Overview of the Fraudulent Scheme

1. At all times relevant to this Complaint, defendant WAYNE PUFF was the president and principal operator of N. J. Affordable Homes Corp. ("NJA"), a New Jersey corporation with offices in Woodbridge, Hopelawn, and Perth Amboy, New Jersey.

2. Through NJA, defendant WAYNE PUFF purported to be in the business of purchasing real properties, renovating those properties, and selling them at a profit.

3. In order to finance the operations of NJA, between in or about 1998 through in or about September 2005, defendant WAYNE PUFF and others under his direction solicited investors to invest their money in NJA.

4. In both oral representations and written offering materials, defendant WAYNE PUFF promised investors, in sum and substance, that (a) their money would be used to purchase and renovate real property; (b) their investments would always be secured, either in an attorney escrow account or by a mortgage lien on real property; and (c) they would receive a guaranteed yearly return on their investment of between 15% and 22%.

5. Based on these representations, defendant WAYNE PUFF raised over \$120 million on behalf of NJA from hundreds of investors in New Jersey and elsewhere.

6. Witnesses and documents obtained in connection with this investigation have revealed that, contrary to the written and verbal representations described above, defendant WAYNE PUFF did not use investor money solely to purchase and renovate real properties, and left much of that money unsecured. For example, money that NJA obtained from new investors was improperly diverted and used by defendant WAYNE PUFF to make principal and interest payments to old investors in NJA, instead of purchasing, renovating, and selling properties.

7. In addition, defendant WAYNE PUFF misappropriated millions of dollars of investor money that should have been secured in an attorney escrow account either by depositing it

directly into the accounts of NJAH, or by cashing that money for his own personal benefit.

8. Further, while some of the investors' money was purportedly fully secured by mortgage liens on real property, the investigation has revealed that many of these mortgages were essentially worthless because they were based on materially false and misleading information, including, among other things, artificially inflated property appraisals.

9. The investigation has revealed, among other things, that on numerous occasions, defendant WAYNE PUFF directed a licensed real estate appraiser to create materially false and misleading property appraisals that grossly inflated the value of NJAH properties and caused those appraisals to be delivered to investors to deceive them into believing that their mortgages were bona fide and their investments secure.

10. Beginning in or about late 2003, defendant WAYNE PUFF also solicited NJAH investors and others, including NJAH employees, to participate in a new investment program, referred to as the "Your Credit, Our Money" program.

11. Under the guise of this program, defendant WAYNE PUFF solicited investors to lend their names and credit information for the purchase of real properties. In exchange for using the investors' names and credit information, defendant WAYNE PUFF represented the following:

- a. NJAH would undertake the purchases of the real properties, and assume all of the associated costs and fees attendant to the purchases;

- b. NJAH would renovate the properties at its own expense; and

- c. NJAH, after the renovations, would then resell the properties and share the profits with the investors.

12. After investors agreed to participate in this program, defendant WAYNE PUFF used the investors' information to obtain mortgages from financial institutions in their names.

13. The investigation has revealed that in obtaining these mortgage loans, defendant WAYNE PUFF and others at his direction submitted false and fraudulent loan applications and supporting documents to financial institutions.

14. Among the fraudulent information submitted to financial institutions were the following:

- a. false mortgage loan applications;
- b. false sales contracts;
- c. false appraisals;
- d. false verification of employment forms;
- e. false verification of deposit forms;
- f. false investor statements; and
- g. false HUD-1 settlement statements.

15. After obtaining the proceeds from the mortgage loans, contrary to his representations, defendant WAYNE PUFF did not use those funds to renovate the properties in question. Instead, among other things, he misappropriated the money for his own personal benefit and to make principal and interest payments to prior investors in NJAH.

16. To date, the investigation has revealed that defendant WAYNE PUFF caused losses of approximately \$55 million to NJAH investors and losses of approximately \$25 million to financial institutions in connection with fraudulent mortgage loans.

Wire Fraud Count

17. The investigation has revealed that, in connection with this fraudulent scheme, defendant WAYNE PUFF and others working under his direction engaged in numerous transactions in which false documents were submitted to financial institutions to induce those institutions to wire money for the benefit of NJAH.

18. For example, in or about August 2004, defendant WAYNE PUFF solicited an NJAH employee, a former Account Manager ("AM") who has pleaded guilty in connection with the fraudulent scheme described herein, to lend her name and credit information for the purchase of 70 22nd Street, in Irvington, New Jersey (the "22nd Street Property") from NJAH, the purported seller of the property, in connection with the "Your Credit, Our Money" Program.

19. According to AM and others interviewed during the course of this investigation, as set forth below, defendant WAYNE

PUFF and others under his direction caused numerous fraudulent documents, including a false application and verification of employment, a false appraisal of the 22nd Street Property, and a false HUD-1 settlement statement to be submitted to Washington Mutual Inc. ("WaMu") for the purpose of obtaining mortgage loan proceeds in connection with the 22nd Street Property.

20. At all times relevant to this Complaint, WaMU was a "financial institution," as defined in Title 18, United States Code, Section 20, headquartered in Seattle, Washington, with offices located in Fairfield, New Jersey, and elsewhere.

21. At all times relevant to this Complaint, First United Mortgage Company ("First United") was a correspondent lender for WaMu which acted as a loan originator for WaMu.

22. AM reviewed the loan file for the 22nd Street Property produced by WaMu in connection with this investigation and confirmed that the information on the application and verification of employment form falsely represented that her employer was FHP, Inc., when in fact, she worked for NJAH.

23. In addition, AM confirmed that the HUD-1 settlement statement for the transaction, dated August 27, 2004, was fraudulent because it falsely represented that she paid \$61,644.67 at the closing, purportedly representing a down payment and settlement costs. In fact, she never paid any money in connection with this transaction.

24. A review of bank records revealed that the \$61,644.67 that was purportedly paid by AM to close this transaction actually came from NJAH's main operating account - i.e., the same entity that was the seller of the 22nd Street Property. Thus, the bank records demonstrated that the seller, not the purchaser, paid the down payment and other transactional costs, contrary to the representations on the HUD-1.

25. Law enforcement agents also reviewed AM's loan application and verification of employment form with a former NJAH mortgage Loan Processor ("LP") who also pleaded guilty in connection with the fraudulent scheme described herein.

26. LP stated that he created the fraudulent verification of employment form at the direction of defendant WAYNE PUFF to conceal the fact that AM, the purported purchaser, was nothing more than a nominee purchaser for NJAH, the seller of property.

27. Law enforcement agents reviewed the mortgage loan for the 22nd Street Property with a former Appraiser Coordinator for NJAH ("AC") who has also pleaded guilty in connection with the fraudulent scheme described herein.

28. AC confirmed that the appraisal submitted to WaMu in support of the mortgage for the 22nd Street Property was fraudulent. Specifically, AC indicated that he was directed by defendant WAYNE PUFF to provide the appraiser with false information regarding the 22nd Street Property, including that there had been significant renovations to the interior and exterior of property when, in fact, no such renovations had taken place.

29. Further, in interviews with law enforcement agents, a cooperating witness (hereinafter, "CW-1") stated that, at the direction of defendant WAYNE PUFF and AC, CW-1 altered, via computer, a digital photograph of the 22nd Street Property that was included with the appraisal, so as to make it appear that the renovations described in the appraisal had actually occurred.

30. In or about August 2004, defendant WAYNE PUFF caused the fraudulent documents to be delivered to First United, which was acting as a loan originator for WaMu. On or about August 27, 2004, First United wired \$192,019 to the attorney trust account of "AN", who acted as the closing attorney for the 22nd Street Property transaction.

31. Thereafter, First United delivered the loan file for the 22nd Street Property to WaMu. Based on the fraudulent documents prepared at the direction of WAYNE PUFF, on or about September 9, 2004, WaMu sent via interstate wire transfer \$205,257, of which \$200,000 was mortgage loan proceeds, from its account in California to the account of First United in New Jersey.

Obstruction Count

32. In or about April 2005, members of the U.S. Securities and Exchange Commission's ("SEC") Broker-Dealer Inspection Program in the SEC's New York office arrived at NJAH's offices to begin a voluntary, on-site examination of NJAH based on an investor complaint which involved allegations concerning the sale of unregistered securities.

33. According to representatives of the SEC involved in the examination, from in or about April 2005 through in or about June 2005, the SEC examination team requested numerous documents from

NJAH and defendant WAYNE PUFF concerning the operations of NJAH, including, among other things, bank records, investor statements, and property files.

34. Thereafter, on or about September 12, 2005, the SEC instituted an emergency civil enforcement action against NJAH and defendant WAYNE PUFF. According to representatives of the SEC, the SEC served copies of the SEC action on both NJAH's counsel and NJAH at its Hopelawn office no later than 10:30 a.m. that day.

35. According to cooperating witnesses, including AM, CW-1 and others, on the date the SEC served these papers, defendant WAYNE PUFF directed NJAH employees to destroy, mutilate and conceal NJAH documents relevant to the SEC action, including, among other things, investor statements and property appraisals.

36. According to cooperating witnesses, including AM, CW-1 and others, after receiving these directions from defendant WAYNE PUFF, NJAH employees complied and destroyed and concealed documents relevant to the SEC action.